Annual Report

Metro Tasmania Pty Ltd

Introduction

The Principal objective of Metro Tasmania Pty Ltd is defined in the Metro Tasmania Act, 1997. It is:

> *"To provide, road passenger transport services in Tasmania and to operate those services in a manner consistent with sound commercial practice."*

This legislation was enacted in February 1998 and established Metro Tasmania Pty Ltd as a State Owned Company operating under Corporations Law.

Metro Tasmania Pty Ltd has evolved from the former Metropolitan Transport Trust (MTT), which itself was formed in 1954 by the transfer of urban public transport services operated by the Hobart and Launceston City Councils to the Tasmanian Government. In 1959, MTT extended its operations to include urban bus services within the Burnie Municipality.

Metro provides a broad range of urban passenger transport bus services within Hobart, Launceston and Burnie, as well as between Wynyard, Burnie and Ulverstone. These services are specified within a Community Service Activity contract between Metro and the Department of Infrastructure, Energy and Resources (on behalf of the State Government). Full details of the general route services and special student services provided by Metro can be obtained by searching Metro's website at **www.metrotas.com.au**

Metro also provides a range of local and statewide charter services, as well as special event and community services (such as for the Hobart Show).

In its Corporate Plan Metro has identified its "vision" as achieving excellence in passenger transport services and its "mission" as *providing safe, reliable and quality road passenger transport services that balance stakeholder needs and sound commercial practices*.

Metro's Corporate Plan also sets out the Goals, Targets and Strategic Actions that Metro will be pursuing over the next 3 years in pursuit of its vision. Metro's Corporate Plan can be downloaded from our website **www.metrotas.com.au**

Metro now has a regional services division to operate services between Hobart and various regional centres. The services are delivered under individual route contracts with the Department of Infrastructure, Energy & Resources. They include services to Bothwell, Kingston, Blackmans Bay, the Channel and New Norfolk.

Until 30 June 2005 all these regional services, other than Hobart to Bothwell, were delivered by Metro's wholly owned subsidiary Metro Coaches (Tas) Pty Ltd under the business name of Hobart Coaches. On 30 June 2005 the service contracts and business name were transferred to Metro as part of a corporate restructuring program.

Metro is the registered trading name of Metro Tasmania Pty Ltd. Hobart Coaches is the registered trading name for Metro's regional services division.

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Company Directory

Nature of Business:	Provision of bus transport services
Issued Capital:	Two shares of $1.00 each
Registered Office:	212 – 220 Main Road Moonah, Tasmania
ABN Number:	30 081 467 281
Directors:	Sally Denny, Chairperson Michael Wisby, Deputy Chairperson Ketrina Clarke Janie Finlay Robert Flanagan
Shareholders:	Crown of Tasmania
Senior Managers:	Tony Sim, Chief Executive Officer Jeff Dallas, Group Manager Operations & Engineering Jack Lane, Manager Business Development Anita Robertson, Chief Financial Officer (part year) Navin Ram, Acting Chief Financial Officer (part year) Allison Ball, Manager Human Resources
Bankers:	Commonwealth Bank of Australia 81 Elizabeth Street Hobart, Tasmania
Auditor:	Auditor General

Principal Offices

Hobart

Address:	Head Office 212-220 Main Road, Moonah, Tas
Postal Address:	PO Box 61, Moonah 7009
Telephone:	(03) 6233 4232
Facsimile:	(03) 6272 8770

Launceston

Address:	168 Wellington Street, Launceston, Tas
Postal Address:	PO Box 578, Launceston, 7250
Telephone:	(03) 6336 5888
Facsimile:	(03) 6336 5899

Burnie

Address:	28 Strahan Street, Burnie, Tas
Postal Address:	PO Box 182, Burnie, 7320
Telephone:	(03) 6431 3822
Facsimile:	(03) 6431 9336

Other contracts

E-mail:	correspondence@metrotas.com.au
Website:	www.metrotas.com.au
The Metro Shop:	Hobart GPO Elizabeth Street Bus Station Hobart, 7000

Chairperson's Review

It is pleasing to report a profit before income tax of $307,000 for the year.

One of the main contributing factors to the result was a rigorous expenditure management program in the face of increasing costs.

Metro continues to examine ways it can be more efficient in the use of fuel in its existing fleet as a cost-saving initiative and as part of its greenhouse gas emissions reduction strategy.

With this in mind Metro has undertaken a detailed assessment of the option of Compressed Natural Gas (CNG), investigated the use of bio-fuels (bio-diesel and ethanol), and examined hybrid buses that use diesel or other fuels to power electric motors.

While the use of CNG when compared to diesel is not viable for Metro, and reliability of supply for bio-fuels has been identified as an issue of concern, Metro will continue to monitor the commercial and operational potential of alternative fuels.

In last year's annual report I noted that negotiations for a new Enterprise Agreement for bus operators had been resolved following a brief period of industrial action and that Metro was working with employees to rebuild good working relationships.

To assist in this process, an independent, external consultant was appointed to undertake a comprehensive survey of employee opinions and to identify issues of concern. Such issues have and continue to be addressed in consultation with employee representatives.

A major project over the last two years is the progressive review of services to ensure that they remain relevant to the needs of customers. Metro has limited resources and it is important to ensure that those resources are allocated as effectively as possible.

In 2005/06 considerable time and effort was invested in reviewing bus services. In September 2006 Metro's services for Burnie and the north-west coast between Wynyard and Ulverstone were substantially modified. There were also significant changes made to Hobart services in November 2006, primarily to overcome late-running problems.

Following a comprehensive review of services on the north west coast, with feedback and requests received from members of the local community, councils and business representatives, Metro introduced Saturday bus services in Burnie and Wynyard and major improvements to weekday Burnie bus routes.

The service changes were designed around the needs of shoppers, those undertaking recreational activities and students, and featured simpler bus routes on regular timetables.

Following the introduction of these improved services, 2006/07 Burnie patronage figures show an increase of 3.5 per cent on the previous financial year. While the initial growth was small, passenger numbers increased further as people became accustomed to the new services, in particular Saturday services.

In Hobart the service changes helped resolve a range of late running problems. These problems have been progressively emerging due in part to deteriorating traffic conditions. Metro would like to see greater acceptance of the need to provide increased priority for public transport so as to make our urban areas work more effectively.

A review of Launceston services commenced in 2006 and is expected to lead to major service changes being made prior to Christmas 2007.

In undertaking the Launceston review, Metro has consulted with its customers and staff and shared its ideas with the community. A comprehensive communication program is now planned to advise people of the outcome of the review process.

In March the bus operator Tassielink acquired the operation of the Metro-owned Hobart Coaches' Hobart to Richmond – Campania – Colebrook bus service.

This sale was a positive one for Metro. Metro benefited because it is able to better focus its resources on expanding services to the Kingston and Channel markets while Tassielink can further develop its outer urban business.

Importantly Metro and Tassielink worked closely together to ensure a smooth transition of services from one operator to the other, and that the travelling public was not inconvenienced.

Sadly I need to report that former Metro director Freddie Van Buren passed away on 11 September 2006. Freddie was a well respected member of the Metro Board who made a positive contribution to the business from 1999 to 2003.

In closing I would like to thank the management team, led by our CEO Tony Sim, and all our employees who work so diligently to deliver an effective and reliable passenger transport service to the Tasmanian community and to acknowledge the hard work and strong support of my fellow board members.

Sally Denny
Chairperson

Chief Executive Officer's Review

As I noted in last year's Annual Report, increased patronage is the fundamental basis to underpin Metro's future.

Delivery of quality customer service and the provision of services that are relevant to the needs of the community continue to be vital for our organisation.

It is therefore very pleasing to report that in 2006/07 Metro carried 9,945,000 people, just 55,000 short of the magic 10 million mark, and 340,000 more than during the previous financial year. It is also important to note that this is Metro's best result since 1997/98.

In percentage terms patronage increased by 0.5 per cent statewide, with adult patronage increasing by 0.6 per cent, adult concession patronage by 0.7 per cent and student patronage by 0.3 per cent. Looking ahead to the next financial year, patronage growth is expected to continue at about the same rate.

In January 2007 Metro reluctantly increased the prices of some tickets to cover cost increases since the last fare increase in January 2006.

Fares for Adult Concession, Child and Primary/Secondary Students were held at 2006 levels. Together, these groups comprise almost 75 per cent of Metro's business.

Adult full fares were restructured as part of a long-term move to a simpler fare structure, as proposed by the Government Prices Oversight Commission.

Occupational Health and Safety continued to be a priority for Metro in 2006/07.

The Lost Time Injury Frequency Rate (lost time claims greater than one shift multiplied by one million and divided by total number of hours worked) was halved from 66 in 2005/06 to 33 this year.

The annual severity rate of injuries (number of days lost multiplied by one million and divided by the total number of hours worked) dramatically fell from 696 last year to 150 in 2006/07.

Workers compensation claims this financial year also reduced following the introduction of a new approach to injury management.

Metro operates 215 buses in Hobart, Launceston and Burnie, of which 42 are wheelchair accessible.

In 2006/07 Metro commenced a contract for the supply of 20 Disability Discrimination Act (DDA) compliant buses. Delivery of the first units is scheduled for early 2008 with 8 new buses expected to be delivered and operating in service by June 2008. The remaining 12 buses are to be supplied in the following financial year. The contract also allows the option for a further 20 buses to be built for Metro.

The vehicles feature air conditioning, low emission Euro 4 & 5 diesel engines, Scania chassis, and bodies supplied by South Australian-based company Custom Coaches Pty Ltd.

In addition, there will be two further accessible buses delivered in 2007/08 from historical orders, including Metro's first long-wheel base 14.5 metre bus with steerable rear tag axle to increase vehicle maneuverability. If trials of this vehicle are successful it is likely that further buses of this type will be used as replacements for Metro's articulated buses.

In 2006/07 Metro became the first bus company in Australia to be accredited to undertake its own vehicle inspections under the National Heavy Vehicle Accreditation Scheme.

Programmed maintenance of vehicles is undertaken every 15,000 kilometres but the intention is to extend that to 20,000 kilometres in the short-term to improve bus availability and free up resources to focus on predictive maintenance.

During the year Metro announced that it was planning to introduce a single new ticketing system to cover all of Metro's operations.

Metro currently operates three ticketing systems – one covering Hobart and Launceston, one in Burnie and one on Hobart Coaches.

The proposed replacement system is a smartcard-based ticketing system, widely regarded as the most versatile and best available technology.

Metro has undertaken extensive research to ensure any new system will be reliable, flexible and user-friendly and has taken account of comments from various stakeholders, including employees, passengers, suppliers, other operators and government, to develop appropriate specification and tender documents.

While the current ticketing systems are still operating well, in the case of the Hobart and Launceston system, it is 20 years old and due for replacement.

Metro introduced a number of changes to its Hobart timetables and routes in November 2006 following a comprehensive review of all services and consultation with bus operators.

The changes were designed to ensure Metro services continue to run on time following increases in traffic congestion.

The new simplified routes on regular timetables through West Hobart, Mt Stuart and Lenah Valley not only achieved its goal but resulted in increases in patronage on evening services and at weekends.

At the same time, a simplified Busy Bee route was introduced to Sandy Bay during evenings and weekends. The route was redesigned to ensure better access to the University Campus and Sandy Bay shops during off peak times.

Last year I wrote that Metro was working to establish closer working relationships with local government that would ultimately develop a better understanding of the needs of the communities in which Metro operates.

In 2006/07 the Clarence City Council and Metro signed a memorandum of understanding (MOU) – the first of its kind in the State – to implement the joint Accessible Clarence Program.

The program aims to provide the Clarence community with the best possible public transport services and facilities in a cost-effective manner.

Following the signing of the memorandum with Clarence, Metro also signed an MOU with the Launceston City Council and discussed similar arrangements with the Brighton Council and the Burnie City Council.

Metro is continuing to work with local government organisations statewide to further enhance the effectiveness of its public transport services to the community.

Metro believes local government is the perfect partner to achieve positive outcomes given its strong relationship with the community it represents.

In addition, Metro made application to the Commonwealth Attorney-General's Department, in association with five Tasmanian councils (the Brighton Council and the Burnie, Clarence, Launceston and Hobart City Councils) and with the support of Tasmania Police, to seek funding under the National Community Crime Prevention Program (NCCPP) to implement a community safety program on its buses and at bus malls

Known as Project ECS (Enhanced Community Safety), it is designed to specifically address the fear of crime, anti-social behaviour and violence towards senior citizens and children through the installation of additional lighting and closed circuit television (CCTV) infrastructure in strategically selected locations and on Metro buses.

On the subject of security, Metro's strong relationship with Tasmania Police continued in 2006/07 with four police officers working from Metro Tasmania premises at Derwent Park.

Officers from the Public Order Response Teams also patrol Metro bus services in other parts of the State on a regular basis.

The program, which has seen Tasmania Police officers essentially taking on the role of transit police on buses and at bus interchanges within the Hobart metropolitan area, has been very well received and is proving highly effective.

Police officers attached to Metro undertake uniform and plain clothes duties on all Metro services in the south of the state. Their duties include random patrols on buses and in bus interchanges. On occasion's patrols target identified problem areas.

Details of a Code of Behaviour to improve safety on and around buses developed for use in Tasmanian schools was announced during the year by Minister for Infrastructure Jim Cox.

The introduction of a formal code followed Metro's trial in six Launceston schools in term three of 2006.

The cornerstone of the trial was a code of behaviour for students travelling to and from school that clearly sets out what is and what is not acceptable behaviour.

The trial had a positive influence on the safety and comfort of travel to and from school for both students and drivers.

The code model was developed through the Student Transport User Group of DIER. This group comprises representatives of the Parents and Friends State Council, independent and catholic schools, the bus industry and the Departments of Education and Infrastructure, Energy and Resources.

Metro manages a small portfolio of sponsorship agreements and partners with a number of community-based organisations.

Our sponsorship agreements are aligned to branding and profile-building opportunities within key client groups of bus users, and have a focus of encouraging long-term support and loyalty.

Metro also sees itself as being a good corporate citizen and undertakes a range of activities that support worthwhile community projects and events.

During 2006/07 Metro sponsored the following:

- Football Tasmania (Tassie Mariners U16 and U18 representative teams)
- Neighbourhood Watch Tasmania Inc
- Junior Netball
- Point to Pinnacle run
- Police Citizen and Youth Club Bridgewater
- Hobart Christmas Pageant
- CANTEEN
- Road Safety Task Force
- Southern Cross Special Children's Christmas Party
- Operation NOAH
- Seniors' Week
- Holyoake
- Diversity 'We Are Who We Are'
- Colony 47
- Hobart Summer Festival

Metro also contributes to the community by donating transport services for a variety of causes.

Metro, and Metro staff, actively work within the Tasmanian community to support improved outcomes for those most in need.

Tony Sim
Chief Executive Officer

Statistics and Performance Indicators

Passenger Levels

Consideration of passenger statistics for urban areas in 2006/07 by comparison to 2005/06 is affected by the industrial action that took place in February 2006.

Overall urban patronage grew by around 0.5% in 2006/07. There was some growth in Adult full fare patronage (+0.6%), Adult Concession patronage (+0.7%) and Child/Student patronage (+0.3%). After adjusting for the effects of the industrial action in 2005/06 it is estimated that overall patronage levels declined slightly by -0.5%, that is to say that 2005/06 patronage levels were about 1% lower than they otherwise would have been because of industrial action.

For the different urban centres, Launceston declined slightly, with decreases noted for all passenger categories. In Hobart, there was slight growth in Concession passengers, but declines in Adult and student/child passengers. In Burnie there was a noticeable increase in patronage following the remodelling of Metro's services in September 2006, including the re-introduction of Saturday services. The Burnie service changes did not increase the bus-kilometres delivered.

On regional services there was substantial growth in 2006/07, with New Norfolk services increasing by 5.9% and Bothwell by 5,2%. There was a slight decline for the Channel services (-0.8%).

There was growth in all categories of regional patronage except students travelling to and from school, which declined by 2.7%. Overall total regional patronage actually declined slightly due to the sale of the Richmond service in February. If figures for Richmond are excluded overall regional patronage grew by 2.9%

Table 1 - First Boardings By Passenger Category – Route Services

Passenger Category	Number of Trips		% Composition		Increase (Decrease) to Previous Year
	2005/06	2006/07	2005/06	2006/07	
	000's	000's	%	%	%
Adult Full Fare	1,996	2,008	24.0	24.0	0.6
Adult Concession	2,782	2,801	33.4	33.5	0.7
Child & Student	3,545	3,555	42.6	42.5	0.3
TOTAL:	**8,322**	**8,364**	**100.0**	**100.0**	**0.5**

Notes: Figures may not add up exactly due to rounding.

Total boardings (including transfers and charter operations) also grew (refer Table 2) with the total urban boardings falling just short of the 10,000,000 mark.

Table 2 – Total Passenger Trips (including transfers and charter services)

	Hobart	Launceston	Burnie	Total Urban	Regional (ii)
1997/98	7,390,000	1,993,000	613,000	9,996,000	
1998/99	7,165,000	1,855,000	548,000	9,568,000	
1999/00	7,056,000	1,807,000	516,000	9,379,000	
2000/01	7,167,000	1,950,000	509,000	9,626,000	
2001/02	7,191,000	1,903,000	532,000	9,626,000	
2002/03	7,177,000	1,819,000	546,000	9,542,000	
2003/04	7,243,000	1,847,000	530,000	9,620,000	
2004/05	7,159,000	1,794,000	502,000	9,455,000	
2004/05 (i)	7,579,000	1,794,000	502,000	9,875,500	149,143
2005/06 (i)	7,641,000	1,770,900	500,000	9,911,000	149,217
2006/07 (i)	7,668,000	1,766,000	511,000	9,945,000	145,114

(i) Includes patronage associated with Kingston and Blackmans Bay services. Prior to 2004/05 patronage to Kingston and Blackmans Bay was included with Regional services.

(ii) Regional services includes New Norfolk, Channel, Bothwell and Richmond to (February 2007). If Richmond had operated for the full year regional patronage would have been about 8-10,000 passengers higher.

Metro's student/child fare has been held fixed since 1996. As a consequence there has been a gradual decline in the proportion of child/student passengers using pre-paid tickets, with this figure falling from two-thirds to less than half over this period. This compares with the full fare Adults where there has been an increase from 32% to 39% over the same period.

Table 3 – Trends in Prepaid Ticket Use as a % of First Boardings For Different Passenger Categories.

	Adult Full Fare	Adult Concession	Child/Student	Total All Categories
	%	%	%	%
1997/98	32.3	22.9	66.3(ii)	50.9(i)
1998/99	31.9	22.1	62.8(ii)	49.9(i)
1999/00	32.0	20.7	63.0(ii)	48.6(i)
2000/01	33.3	20.2	62.2(ii)	47.7(i)
2001/02	33.3	20.2	60.7(ii)	46.4(i)
2002/03	34.0	20.0	59.5(ii)	46.2(i)
2003/04	34.5	20.3	58.2(ii)	46.6(i)
2004/05	34.3	22.4	55.2(ii)	46.8(i)
2004/05 (iii)	35.3	22.4	53.2(ii)	46.2(i)
2005/06 (iii)	36.4	22.6	50.2(ii)	45.8(i)
2006/07 (iii)	38.8	23.1	48.0(ii)	45.6(i)

(i) Total All Categories - free trips made by eligible school children are included as "pre-paids".

(ii) Child/Student statistics exclude free school trips.

(iii) Includes patronage associated with Kingston and Blackmans Bay services. Prior to 2004/05 patronage to Kingston and Blackmans Bay has been excluded.

Metro Fleet And Workforce

Metro now has accessible buses in all centres. Table 4 shows the proportion of the fleet that is accessible, as well as the proportion of general route services that are delivered by accessible buses in each centre.

Table 4 – Percentage Of Metro(i) General Route Services Delivered By Accessible Buses (as at 30 June 2007

	Hobart	Launceston	Burnie	State
% Fleet Accessible	22.1%	12.0%	21.4%	19.7%
% Weekly Trips(ii)	30.5%	15.0%	42.0%	27.9%

(i) Includes services for Kingston and Blackmans Bay, and the combined Metro plus Hobart Coaches fleets.

(ii) This is the percentage of services operated with an accessible bus, not the percentage advertised as accessible. The percentage may fall on a given day if a number of accessible buses are not available for some reason.

Table 5 – Number of Buses in Service (As at 30 June 2007)

	Hobart Coaches Fleet	Metro Fleet Hobart	Metro Fleet Launceston	Metro Fleet Burnie	Total
M.A.N.	1	11	7	2	21
Scania	4	81	37	9	131
Scania Low Floor (12.5m)	-	30	6	3	39
Scania Low Floor (14.5m)	-	3	-	-	3
Volvo Articulated	-	19	-	-	19
Totals	**5**	**144**	**50**	**14**	**213**
Special Bus Features :-					
Accessible Buses	-	33	6	3	42
Video Surveillance	3	46	9	3	61
Air Conditioned	3	18	-	-	21

Table 6 – Metro Workforce And Fleet Utilisation Statistics

	2005/06	2006/07
Average FTE's per vehicle	1.78	1.80
Sick leave days per full time equivalent employee	9.14	7.30
Number of workers' compensation lost time injury claims	40	26
Number of employees at 30 June 07	441	454
Average full-time equivalent employees for year	380.35	388
Number of employees entering service	63	51
Number of employees leaving service	43	47

Web Site

Metro provides access to a wide range of information through its web site; **www.metrotas.com.au**. The site provides a comprehensive source of information on Metro and its services. Information on Hobart Coaches services can be obtained either through the links from the Metro web site or through Hobart Coaches own web site **www.hobartcoaches.com.au**. Visits to the Metro website during a typical month average 23,000 +.

Public Interest Disclosures

Metro is required to establish procedures for the disclosure and investigation of improper conduct or detrimental action. These procedures have been made accessible via Metro's web site. No disclosures were made to or about Metro during the financial year.

Directors' Report

The Directors of Metro Tasmania Pty Ltd present the annual financial report for the year ended 30 June 2007.

Principal activities
Metro's principal activity during the financial year was the provision of bus passenger transport services in the Tasmanian urban centres of Hobart, Launceston and Burnie and to some regional centres around Hobart.

Review of operations
For the year ended 30 June 2007 Metro recorded a profit before income tax of $307,000 (2006:$30,000) and a profit after tax of $ 184,000 (2006: loss of $16,000).

A detailed review of operations is contained in the Chairperson's Review and in the Chief Executive Officer's Review.

Dividends
The directors do not recommend payment of a dividend from the profit for this year. No dividend was paid from the profit recorded in the year ended 30 June 2006.

Changes in state of affairs
There were no significant changes in the state of affairs of the company that occurred during the financial year under review.

Superannuation Declaration
The company has met its obligations under the *Superannuation Guarantee (Administration) Act* 1992 in respect to those employees who are members of a complying superannuation scheme to which Metro contributes. The company also has a defined benefit scheme, under the *Retirement Benefits Act 1993*, which is subject to actuarial valuations and covers current and former employees.

Subsequent events
There has not been any matter or circumstance other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operation of the entity, the results of those operations, or the state of affairs of the entity in future financial years.

Likely future developments
Metro will continue to pursue with its mission of providing safe, reliable and quality road passenger transport services that balance stakeholder needs and sound commercial practices. This will require further capital expenditures on new buses, route infrastructure, fare collection systems and support facilities. In addition, Metro will maintain a watching brief on alternative fuels.

Rounding off of amounts
Metro is a company of the kind referred to in ASIC Class Order 98/0100 dated 10 July 1998 and in accordance with that Class Order amounts in the Directors' report and the financial report have been rounded off to the nearest thousand dollars.

Directors
Names of directors in office during and since the end of the financial year are set out in Note 21 of the financial statements. Directors are appointed for rolling terms of three years. The Chairperson is appointed annually by the shareholders.

Corporate Governance
The board of directors is responsible for the overall corporate governance of the company. Corporate governance is the system by which the activities of a company are controlled and coordinated in order for the company to achieve its desired outcomes.

As a state owned company the Board is responsible to its shareholders, the Minister for Infrastructure, Energy and Resources and the Treasurer in meeting the aspirations of the state government and the board directs management accordingly.

The Board performs this role by:

- Appointing and monitoring the performance of the Chief Executive Officer;
- Clearly identifying and enunciating the strategic direction for Metro;
- Identifying and addressing the principal risks for Metro;
- Monitoring the conduct and performance of the company through an integrated framework of controls;
- Ensuring all Metro's business is conducted in an honest, open and ethical manner; and
- Ensuring adequate succession planning is undertaken

Directors' remuneration
Fees paid to directors are set by the Minister representing the Crown. Details are set out in Note 21 of the financial statements.

During the twelve months, no director has received, or become entitled to receive, a benefit by reason of a contract made by Metro with a director or with a firm of which he or she is a member or an entity in which he or she has a financial interest.

Remuneration Committee
The Remuneration Committee comprises two non-executive directors and the CEO. This committee oversees remuneration practices and policies in relation to senior executives of the company.

Audit and risk management Committee
Metro has an audit committee, which comprises three directors and is chaired by the Deputy Chairperson of the board. The audit committee has a documented charter, approved by the board. The committee's responsibilities under its charter include consideration and monitoring of matters relating to external reporting, risk management, internal and external audit functions. The Company Secretary and Chief Financial Officer also attend meetings.

Auditor’s independence declaration

The accounts of the company are independently audited by the Tasmanian Auditor General. The Auditor General has provided the Directors with Independence Declaration as required under section 307C of the Corporations Act 2001.

Indemnification of Directors and Officers

During the financial year Metro paid a premium in respect of a contract insuring the directors of Metro, all executive officers of Metro and its related body corporate against potential liabilities to the extent permitted by Corporations Law.

Signed in accordance with the resolutions of the Directors made pursuant to Section 298 (2) of the Corporations Act 2001 on behalf of the Directors.

Sally Denny
Chairperson
Dated at Hobart this 10th day of September 2007.

Tasmanian Audit Office

7 September 2007

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Hobart Tasmania 7001
Phone 03 6226 0100
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e-mail admin@audit.tas.gov.au

The Board of Directors
Metro Tasmania
PO Box 61
Moonah TAS 7009

Dear Board Members

Auditor’s Independence Declaration

In accordance with section 307C of the *Corporations Act 2001*, I provide the following declaration of independence.

As the auditor of the financial report of Metro Tasmania Pty Ltd for the financial year ended 30 June 2007, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) any applicable code of professional conduct in relation to the audit.

Pursuant to section 298(1)(c) a copy of this declaration must be included in the Director’s report.

Yours sincerely

E R De Santi
DEPUTY AUDITOR-GENERAL
Delegate of the Auditor-General

Accountability on Your Behalf

Directors' Declaration

In the opinion of the Directors of Metro Tasmania Propriety Limited (the 'Company'):

(a) the financial statements and the notes are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of the Company as at 30 June 2007 and its performance, as represented by the results of its operations and its cash flows for the year ended on that date; and

(ii) complying with Australian equivalents to International Financial Reporting Standards and the Corporations Regulations 2001; and

(b) there is reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors

Sally Denny
Chairperson of the Board of Directors

Michael Wisby
Member of the Board of Directors

Dated at Hobart this 10th day of September 2007.

Tasmanian Audit Office

To the Members of Metro Tasmania Pty Ltd

Financial Report for the Year Ended 30 June 2007

Matters Relating to the Electronic Presentation of the Audited Financial Report

This audit report relates to the financial report published in both the annual report and on the website of Metro Tasmania Pty Ltd (the Company) for the year ended 30 June 2007. The Company's directors are responsible for the integrity of both the annual report and the website.

The audit report refers only to the financial statements and notes named below. It does not provide an opinion on any other information, which may have been hyperlinked to/from the audited financial report.

If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report in the Company's annual report.

Report on the Financial Report

I have audited the financial report of the Company, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of recognised income and expenses and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based upon my audit. My audit was conducted in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free of material misstatement.

Accountability on Your Behalf

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for an audit opinion.

Independence

In conducting my audit, I have complied with the independence requirements of the *Corporations Act 2001*. I confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of the Company dated 7 September 2007 and included in the Director's Report, would be unchanged if provided to the directors as at the date of this audit report.

Auditor's Opinion

In my opinion the financial report of Metro Tasmania Pty Ltd is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the financial position of the Metro Tasmania Pty Ltd at 30 June 2007 and its financial performance for the year ended on that date, and

(b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations regulations 2001.

TASMANIAN AUDIT OFFICE

E R De Santi
DEPUTY AUDITOR-GENERAL
Delegate of the Auditor-General

HOBART
11 September 2007

Accountability on Your Behalf

Balance Sheet

As at 30 June 2007

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	Company 2007 $'000	Company 2006 $'000
Current Assets					
Cash and cash equivalents	7	**13,446**	11,246	**13,446**	11,246
Trade and other receivables	8	**609**	635	**609**	635
Inventories	9	**849**	853	**849**	853
Assets held for sale	10	**67**	242	**67**	242
Other current assets	11	**564**	571	**564**	571
Total Current Assets		**15,535**	13,547	**15,535**	13,547
Non-Current Assets					
Property, plant and equipment	12	**36,889**	33,076	**36,889**	33,076
Intangible assets	13	**367**	166	**367**	166
Deferred tax assets	6	**10,038**	9,777	**10,038**	9,777
Total Non-Current Assets		**47,294**	43,019	**47,294**	43,019
TOTAL ASSETS		**62,829**	56,566	**62,829**	56,566
Current Liabilities					
Trade and other payables	14	**2,621**	3,187	**2,728**	3,294
Borrowings	15	**2,792**	-	**2,792**	-
Employee benefits	16	**8,178**	6,614	**8,178**	6,614
Total Current Liabilities		**13,591**	9,801	**13,698**	9,908
Non-Current Liabilities					
Borrowings	15	**-**	2,792	**-**	2,792
Employee benefits	16	**14,454**	13,479	**14,454**	13,479
Deferred tax liabilities	6	**5,269**	3,809	**5,269**	3,809
Total Non-Current Liabilities		**19,723**	20,080	**19,723**	20,080
TOTAL LIABILITIES		**33,314**	29,881	**33,421**	29,988
NET ASSETS		**29,515**	26,685	**29,408**	26,578
Equity					
Contributed equity	17	**15,503**	15,503	**15,503**	15,503
Asset revaluation reserve	18	**10,317**	6,785	**10,317**	6,785
Retained profits	19	**3,695**	4,397	**3,588**	4,290
TOTAL EQUITY		**29,515**	26,685	**29,408**	26,578

The Balance Sheet is to be read in conjunction with the Notes to the Financial Statements.

Income Statement

For the year ended 30 June 2007

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	Company 2007 $'000	Company 2006 $'000
Revenue					
Traffic operations revenue	4(a)	**36,550**	34,620	**36,550**	34,620
Other operating income	4(b)	**758**	619	**758**	619
Financial income	4(c)	**890**	660	**890**	660
		38,198	35,899	**38,198**	35,899
Expenses					
Traffic operations	5(a)	**(28,199)**	(27,011)	**(28,199)**	(27,011)
Engineering and maintenance services	5(b)	**(4,841)**	(4,772)	**(4,841)**	(4,772)
Administration and general	5(c)	**(4,676)**	(3,913)	**(4,676)**	(3,913)
Financial expense	5(d)	**(175)**	(173)	**(175)**	(173)
		(37,891)	(35,869)	**(37,891)**	(35,869)
Profit before income tax		**307**	30	**307**	30
Income tax expense	6	**(123)**	(46)	**(123)**	(46)
Profit / (loss) for the year		**184**	(16)	**184**	(16)

The Income Statement is to be read in conjunction with the Notes to the Financial Statements.

Statement of Recognised Income and Expenses

For the year ended 30 June 2007

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	Company 2007 $'000	Company 2006 $'000
Actuarial gains / (losses) on defined benefits plan	26	**(1,363)**	1,824	**(1,363)**	1,824
Income tax on income and expense recognised directly in equity	19	**(409)**	610	**(409)**	610
Income and expense recognised directly in equity		**(1,772)**	2,434	**(1,772)**	2,434
Profit / (loss) for the year		**184**	(16)	**184**	(16)
Total recognised income and expense for the year		**(1,588)**	2,418	**(1,588)**	2,418

The Statement of Recognised Income and Expenses is to be read in conjunction with the Notes to the Financial Statements.

Cash Flow Statement

For the year ended 30 June 2007

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	Company 2007 $'000	Company 2006 $'000
Cash flows from operating activities					
Cash receipts from customers		**38,687**	37,355	**38,687**	37,355
Interest received	4	**890**	660	**890**	660
Cash paid to suppliers and employees		**(35,280)**	(34,644)	**(35,280)**	(34,644)
Interest paid		**(175)**	(173)	**(175)**	(173)
Net cash provided by operating activities	23(a)	**4,122**	3,198	**4,122**	3,198
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		**740**	423	**740**	423
Acquisition of property, plant and equipment		**(2,662)**	(4,024)	**(2,662)**	(4,024)
Net Cash flows used in investing activities		**(1,922)**	(3,601)	**(1,922)**	(3,601)
Cash flows from financing activities					
Repayment of treasury borrowings		**-**	(35)	**-**	(35)
Net Cash used in financing activities		**-**	(35)	**-**	(35)
Net increase in cash and cash equivalents		**2,200**	(438)	**2,200**	(438)
Cash and cash equivalents at the beginning of the financial year		**11,246**	11,684	**11,246**	11,684
Cash and cash equivalents at the end of the financial year	23(b), 7	**13,446**	11,246	**13,446**	11,246

The Cash Flow Statement is to be read in conjunction with the Notes to the Financial Statements.

Notes to the Financial Statements

For the year ended 30 June 2007

1. Reporting Entity

Metro Tasmania Pty Ltd (the 'Company') is a Tasmanian State Owed Company domiciled in Australia. The address of the company's registered office is 212 – 220 Main Road, Moonah, Tasmania. The consolidated financial statements as at and for the year ended 30 June 2007 comprise the Company and its subsidiary (together referred to as 'Metro').

2. Basis Of Preparation

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated and Company financial reports comply with the IFRSs and interpretations adopted by the International Accounting Standards Board.

The financial statements were authorised for issue by the directors on 10 September 2007.

New standards and interpretations not yet adopted

The following standards and amendments were available for early adoption at the date of authorisation of the financial report but have not been applied by the consolidated entity in these financial statements:

- AASB 7 *Financial instruments: Disclosure* (August 2005) and consequential amendments to other accounting standards from its issue, replacing the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007.
- AASB 8 *Operating Segments* (February 2007) and consequential amendments to other accounting standards from its issue, replacing AASB 114 for entities whose debt or equity instruments are traded in a public market. AASB 8 is applicable for annual reporting periods beginning on or after 1 January 2009.
- AASB 101 *Presentation of Financial Statements* (October 2006) revised standard. AASB 101 is applicable for annual reporting periods beginning on or after 1 January 2007.
- AASB 2006-1 *Amendments to Accounting Standards AASB 121* (January 06) is applicable for annual reporting periods beginning on or after 31 December 2006.
- AASB 2006-3 *Amendments to Accounting Standards AASB 1045* (October 06) is applicable for annual reporting periods beginning on or after 31 December 2006.
- AASB 2006-4 *Amendments to Accounting Standards AASB 134* (December 06) is applicable for annual reporting periods beginning on or after 31 December 2006.
- Interpretation 11 (AASB 2007-1) is applicable for annual reporting periods beginning on or after 1 March 2007.
- Interpretation 12 (AASB 2007-2) is applicable for annual reporting periods beginning on or after 1 January 2008.

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the company or consolidated entity. These Standards and Interpretations will be first applied in the financial report of the consolidated entity that relates to the annual reporting period beginning after the effective date of each pronouncement.

(b) Basis of measurement

The financial report has been prepared on an accrual basis and is based on historical costs and does not take into account changing money values except for land, buildings and buses which are measured at fair value. The accounting policies have been consistently applied, unless otherwise stated.

(c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency and all values are rounded to the nearest thousand dollars ($000) unless otherwise stated under the option available under ASIC Class Order 98/100.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that effect the application of accounting. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

3. Significant Accounting Policies

(a) Basis of consolidation

The consolidated financial statements have been prepared by combining the financial statements of all the entities that comprise the economic entity, being Metro Tasmania Pty Ltd (the parent entity) and its controlled entity Metro Coaches (Tas) Pty Ltd. Refer to Note 25. Consistent accounting policies have been employed in the preparation and presentation of the consolidated financial statements.

In preparing the consolidated financial statements, all inter- company transactions, balances, income and expenses are eliminated in full.

(b) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of GST, except for receivables and payables that are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as a current asset or liability in the Balance Sheet.

Cash flows are included in the Cash Flow Statement on a gross basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from the ATO, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to the ATO.

(c) Revenue

Traffic operations revenue

Traffic operation revenue is recognised at the time the service is provided.

Interest

Interest is recognised as it accrues.

Sale of non- current assets

The net gain (loss) of non current asset sales are included as income (expenses) at the date the date control passes to the buyer, usually when an unconditional contract of sale is signed.

The net gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

Assets which satisfy the criteria in AASB 5 ' Non- Current Assets Held for Sale' are transferred to current assets and separately disclosed as assets held for sale on the face of the Balance Sheet. These assets are measured at the lower of carrying amount and fair value less costs to sell. These assets cease to be depreciated from the date which they satisfy the held for sale criteria.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at banks and call deposits.

(e) Receivables

Trade receivables and other receivables are recorded at nominal amounts due less any provision for doubtful debts and are recognised on delivery of services to customers. A significant volume of Metro's operations are performed for the State Government or are received as cash fares. Accordingly, exposure to credit risk is minimal. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(f) Payables

Trade and other payables represent liabilities for goods and services provided to Metro prior to the end of the financial year which are unpaid. Measurement is based on the agreed purchase/ contract cost. The amounts are unsecured and are usually paid within 30 days of recognition.

(g) Borrowings

Loans are recorded at an amount equal to the net proceeds received. Interest expense is recognised on an accruals basis.

(h) Inventories

Inventories are valued at the lower of cost or current replacement cost which consists of bus spare parts, fuel and consumable stores.

(i) Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment loss with the exception of land, buildings and the bus fleet which are independently valued at fair value.

Depreciation

Depreciation is recognised in profit or loss on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment (excluding freehold land and the bus fleet) as follows:

Buildings	40 years
Route infrastructure	10 years
Other plant and equipment	10 years
Electronic ticketing	10 years
Information technology equipment	4 years
Auxiliary vehicles	4 years

The bus fleet is depreciated using the 'Adjusted Industry Rule of Thumb'.

(j) Impairment of assets

The carrying values of tangible and intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may exceed the recoverable amount. The asset is then written down to the recoverable amount. Recoverable amount is the greater of fair value less costs to sell and value in use.

(k) Intangible assets

Intangible assets are valued at fair value where an active market exists or valued at cost where no active market exists.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use as follows:

Licences	4 years
Computer software	4 years

(l) Leased assets

Lease payments for the operating leases on property where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(m) Employee benefits

Employee benefits expected to be settled within one year have been measured at the amounts expected to be paid. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Discount rates used reflects national government securities that most closely match the terms of maturity of the related liabilities.

Compensated benefits

Annual leave

The provision for annual leave represents the amount Metro has a present obligation to pay resulting from employees' services provided up to balance date. The provision has been calculated at the amounts expected to be paid when the liability is settled and includes superannuation on-costs.

Long service leave

The liability of employee benefits for long service leave represents the present value of the estimated future cash outflow to be made by the employer resulting from employees' services provided up to balance date. In determining the liability for employee benefits, account has been taken of future increases in wage and salary rates, and Metro's experience with staff departures. Related superannuation on-costs also have been included in the liability.

Retirement benefits

Defined benefit superannuation plan

PricewaterhouseCoopers has provided actuarial calculations of the current benefit of the defined benefit liability under the Retirement Benefits Fund (RBF) for current and former employees of Metro.

The RBF is a defined benefit fund which pays lump sum and pension benefits to members upon retirement (most of which are calculated as a multiple of the member's final average salary). The RBF has Contributory members, Compulsory preserved members and Pensioners.

Actuarial gains and losses are recognised in full, directly in retained earnings, in the period in which they occur, and presented in the statement of changes in equity. Details are referred to at Note 26.

(n) Provisions

A provision is recognised when there is a present, legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain.

Dividends

Dividends payable are recognised in the reporting period in which they are declared, for the entire undistributed amount, regardless of the extent to which they will be paid in cash. No dividend was recommended by the Board prior to the end of the current financial year.

(o) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences; initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is not longer probable that the related tax benefit will be realised.

Metro has prepared full disclosure in accordance with AASB 112 'Income Taxes' this financial year following its requirement as a reporting entity to comply with the standard.

(p) Tax consolidation

The Company and its wholly owned Australian resident entity have formed a tax consolidated group with effect from 1 July 2004 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Metro Tasmania Pty Ltd and the subsidiary entity is Metro Coaches (TAS) Pty Ltd.

(q) Segment reporting

Metro operates bus services in Hobart, Launceston and Burnie. There are no reportable segments as the economic risks and returns in each location are similar given the Community Service Agreement with Government.

(r) Comparative amounts

Certain comparatives have been reclassified or adjusted to reflect any changes in accounting policy or the adoption of new standards and to ensure consistent presentation with the current year. Details of the changes in comparative figures are referred to at Note 16 and 23.

(s) Prior period correction

Recognition of deferred tax balances

Correction of prior period errors are reported in accordance with Accounting Standard AASB 108 – Accounting Policies, Changes in Accounting Estimates and Errors. In accordance with this standard, correction of prior period amounts shall be undertaken retrospectively in the first financial report authorised for issue after their discovery.

The Company is required to recognise the measurement and disclosure of amounts of elements of financial statements as if a prior period error had never occurred.

Nature of prior period correction

As at 30 June 2005, the Company did not recognise any deferred tax assets and deferred tax liabilities as required by Accounting Standard AASB 112 Income Taxes on the basis that the company was a "not for profit" entity and as a consequence its intention was not to generate profits that would be subject to tax . Metro's contract with the Tasmanian Government is based on a "breakeven" financial outcome each year.

On reconsidering AASB 112 and the reasons for not recognising deferred tax balances previously, the directors now believe that the company should have recognised deferred tax assets and deferred tax liabilities. AASB 112 is a sector-neutral standard, and on this basis it applies to both for-profit and not-for-profit entities. In addition, AASB 112 stipulates that the consideration of current and future tax consequences of assets and liabilities should be based on the taxable profits (losses) of the entity. The company's assessment of these factors in the prior year's was focussed on accounting profit (losses). Further, on transition to A-IFRS on 1 July 2004, the test for recognising deferred tax balances changed from "virtually certain" to "probable" which is a less stringent test. A review and reconsideration of information and facts that were available on transition has indicated that there was sufficient evidence to indicate that the company should have recognised its deferred tax balances.

In accordance with AASB 108 – Accounting Policies, Changes in Accounting Estimates and Errors, the company elected to correct the oversight as at the date of transition to A-IFRS, being 1 July 2004, by restating the opening balances of assets, liabilities and equity for the 30 June 2006 financial year.

The effects are:

1 July 2004

The recognition of tax balances by including deferred tax assets of $9,571,000 and deferred tax liabilities of $4,175,000. This also resulted in an increase in retained profits of $6,576,000 and a decrease in the asset revaluation reserve of $1,180,000.

30 June 2005

The recognition of the movement in deferred tax balances with an increase to deferred tax assets of $1,148,000, a decrease to the deferred tax liabilities of $249,000, an increase to the asset revaluation reserve of $99,000, an increase in retained profit of $1,298,000, an increase to income tax expense recognised in the income statement of $211,000 and an increase to income tax benefit recognised in equity of $635,000.

30 June 2006

The recognition of the movement in deferred tax balances with a decrease to deferred tax assets of $943,000, a decrease to the deferred tax liabilities of $118,000, an decrease to the asset revaluation reserve of $215,000, a decrease in retained profit of $610,000, an increase to income tax expense recognised in the income statement of $46,000 and an increase to income tax expense recognised in equity of $547,000.

4. Revenue

	Consolidated		Company	
	2007 $000's	2006 $000's	**2007 $000's**	2006 $000's
(a) Revenue from traffic operations				
Service contracts	**26,607**	25,130	**26,607**	25,130
Ticket fares	**9,943**	9,490	**9,943**	9,490
	36,550	34,620	**36,550**	34,620
(b) Revenue from other operating income				
Profit on disposal of property, plant and equipment	**181**	58	**181**	58
Advertising income	**309**	322	**309**	322
Rental income	**48**	50	**48**	50
Other income	**220**	189	**220**	189
	758	619	**758**	619
(c) Financial income				
Interest income	**890**	660	**890**	660
	890	660	**890**	660
Total income	**38,198**	35,899	**38,198**	35,899

5. Expenses

	Consolidated		Company	
	2007 $000's	2006 $000's	**2007 $000's**	2006 $000's
(a) Expenses from traffic operations				
Fuel	**4,225**	4,133	**4,225**	4,133
Employee and related expense	**19,532**	17,901	**19,532**	17,90
Depreciation and amortisation expenses	**2,614**	2,640	**2,614**	2,640
Other expenses	**1,828**	2,337	**1,828**	2,337
	28,199	27,011	**28,199**	27,011
(b) Expenses from engineering and maintenance services				
Maintenance expense	**2,826**	2,630	**2,826**	2,630
Employee and related expense	**1,875**	1,967	**1,875**	1,967
Depreciation and amortisation expenses	**63**	48	**63**	48
Other expenses	**77**	127	**77**	127
	4,841	4,772	**4,841**	4,772
(c) Expenses from administration and general				
Employee and related expense	**2,160**	1,818	**2,160**	1,818
Depreciation and amortisation expenses	**373**	343	**373**	343
Other expenses	**2,143**	1,752	**2,143**	1,752
	4,676	3,913	**4,676**	3,913
(d) Financial expenses				
Interest expense	**175**	173	**175**	173
	175	173	**175**	173
Total expenses	**37,891**	35,869	**37,891**	35,869

6. Income Tax

	Consolidated		Company	
	2007 $000's	2006 $000's	**2007 $000's**	2006 $000's
(a) Income tax expense recognised in the Income Statement				
The components of tax expense comprise:				
Current tax	**98**	46	**98**	46
Deferred tax	**5**	-	**5**	-
Net gain on assets transferred from equity	**20**	-	**20**	-
Income tax expense	**123**	46	**123**	46
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Prima facie tax/(tax benefit) on profit/(loss) from operating activities before income tax at 30% (2006: 30%)	**92**	9	**92**	9
Add tax effect of:				
Gain on assets transferred from equity	**20**	31	**20**	31
Amortisation of intangibles	**5**	5	**5**	5
Entertainment (non-deductible)	**1**	1	**1**	1
Under provision of prior year income tax	**5**	-	**5**	-
	123	46	**123**	46
(c) Income tax expense recognised directly to equity				
Revaluation of property, plant and equipment	**1,505**	232	**1,505**	232
Decrease in superannuation reserve	**(409)**	547	**(409)**	547
	1,096	**779**	**1,096**	**779**
(d) Current and deferred tax balances				
Assets:				
Deferred tax assets	**10,038**	9,777	**10,038**	9,777
	10,038	9,777	**10,038**	9,777
Liabilities:				
Deferred tax liability	**5,269**	3,809	**5,269**	3,809
	4,769	5,968	**4,769**	5,968

2007	Consolidated				
Category	Opening balance 1 Jul 06 $'000	Prior year $'000	Recognised in Income Statement $'000	Recognised in equity $'000	Balance at 30 Jun 2007 $'000
Superannuation	4,890	(58)	229	409	5,470
Losses	3,571	53	(481)	-	3,143
Employee entitlements	1,238	-	87	-	1,325
Accrued costs	17	-	19	-	36
Prepayments	-	-	(64)	-	(64)
Inventories	(108)	-	21	-	(87)
Property, plant & equipment	(3,640)	-	91	(1,505)	(5,054)
Total	5,968	(5)	(98)	(1,096)	4,769

2006	Consolidated				
Category	Opening balance 1 Jul 05 $'000	Prior year $'000	Recognised in Income Statement $'000	Recognised in equity $'000	Balance at 30 Jun 2006 $'000
Superannuation	5,491	-	(54)	(547)	4,890
Losses	3,901	-	(330)	-	3,571
Employee entitlements	1,269	-	(31)	-	1,238
Accrued costs	17	-	-	-	17
Prepayments	-	-	-	-	-
Inventories	(258)	-	150	-	(108)
Property, plant & equipment	(3,627)	-	219	(232)	(3,640)
Total	6,793	-	(46)	(779)	5,968

7. Cash and Cash Equivalents

	Consolidated		Company	
	2007 $000's	2006 $000's	**2007 $000's**	2006 $000's
Cash at bank and on hand	**4,031**	2,400	**4,031**	2,400
Call deposit at Tascorp	**9,415**	8,846	**9,415**	8,846
	13,446	11,246	**13,446**	11,246

8. Trade and Other Receivables

	Consolidated		Company	
	2007 $000's	2006 $000's	**2007 $000's**	2006 $000's
Trade receivables	**609**	635	**609**	635
	609	635	**609**	635

9. Inventories

	Consolidated		Company	
	2007 $000's	2006 $000's	**2007 $000's**	2006 $000's
Inventories	**957**	929	**957**	929
Less provision for obsolesence	**(108)**	(76)	**(108)**	(76)
	849	853	**849**	853

10. Assets Held For Sale

	Consolidated		Company	
	2007 $000's	2006 $000's	**2007 $000's**	2006 $000's
Property, plant and equipment	**67**	242	**67**	242
	67	242	**67**	2423

11. Other Current Assets

	Consolidated		Company	
	2007 $000's	2006 $000's	**2007 $000's**	2006 $000's
Prepayments	**564**	571	**564**	571
	564	571	**564**	571

12. Property, Plant and Equipment

	Consolidated					
	Balance at 1 Jul 2006 $'000	Additions $'000	Transfers/ Eliminations $'000	Disposals $'000	Revaluation $'000	Balance at 30 Jun 2007
Gross carrying amount						
Land & buildings						
- at independent valuation	12,215	**62**	-	-	-	12,277
Route infrastructure - at cost	2,030	**61**	-	-	-	2,091
Office equipment - at cost	1,469	**175**	-	(645)	-	999
Electronic ticketing & communication equipment - at cost	3,450	**8**	-	(72)	-	3,386
Plant & equipment - at cost	1,229	**14**	-	(266)	-	977
Auxiliary vehicles - at cost	522	**149**	-	(130)	-	541
Buses - at independent valuation	24,359	**1,688**	(7,451)	(598)	5,084*	23,082
Work in progress - at cost	398	**505**	(422)	(107)	-	374
	45,672	**2,662**	(7,873)	(1,818)	5,084	43,727

	Consolidated					
	Balance at 1 Jul 2006 $'000	Disposals $'000	Depreciation $'000	Impairment $'000	Revaluation $'000	Balance at 30 Jun 2007
Accumulated depreciation and impairment						
Land & buildings						
- at independent valuation	-	-	**121**	-	-	**121**
Route infrastructure - at cost	1,669	-	**67**	-	-	**1,736**
Office equipment - at cost	1,159	(594)	**116**	-	-	**681**
Electronic ticketing & communication equipment - at cost	3,347	(72)	**20**	-	-	**3,295**
Plant & equipment - at cost	920	(263)	**40**	-	-	**697**
Auxiliary vehicles - at cost	310	(120)	**118**	-	-	**308**
Buses - at independent valuation	5,191	(107)	**2,484**	(117)	(7,451)*	**-**
	12,596	(1,156)	**2,966**	(117)	(7,451)	**6,838**

Net book value	Balance at 1 Jul 2006 $'000	Balance at 30 Jun 2007 $'000
Land & buildings - at independent valuation	**12,215**	12,156
Route infrastructure - at cost	**361**	355
Office equipment - at cost	**310**	318
Electronic ticketing & communication equipment - at cost	**103**	91
Plant & equipment - at cost	**309**	280
Auxiliary vehicles - at cost	**212**	233
Buses - at independent valuation	**19,168**	23,082
Work in progress - at cost	**398**	374
	33,076	36,889

All items of property, plant and equipment are held by the parent.

* All accumulated depreciation existing at the date of revaluation has been eliminated against the gross carrying amount of buses, and subsequently adjusted so that the gross carrying amount is restated to the revalued amount. The total revaluation increment was $5,084,000.

An independent valuation of freehold land and buildings was performed as at 30 June 2006 by Mr A Pitt Dip.Val. AAPI AREI Certified Practicing Valuer of Saunders & Pitt. This valuation was performed on the basis of 'current market value in the existing use'.

An independent valuation of 'in service' buses was performed as at 30 June 2007 by Mr R.A. van Raay FAPI, FRICS, ASA, AFAIM, CMILT, Certified Practising Valuer (P&M) of Jones Lang LaSalle. The valuation was performed on the basis of 'market value for existing use'. This approach assumes that the asset could be sold in the market for its existing use.

13. Intangibles

	Consolidated		Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Licences - at cost	**64**	64	**64**	64
Less accumulated amortisation	**(33)**	(17)	**(33)**	(17)
	31	47	**31**	47
Computer software- at cost	**1,682**	1,398	**1,682**	1,398
Less accumulated amortisation	**(1,346)**	(1,279)	**(1,346)**	(1,279)
	336	119	**336**	119
	367	166	**367**	166

14. Trade and Other Payables

	Consolidated		Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Trade creditors and accruals	**2,262**	2,504	**2,262**	2,504
Employee benefits oncosts	**357**	683	**357**	683
Intercompany	**-**	-	**107**	107
	2,619	3,187	**2,726**	3,294

15. Borrowings

	Consolidated		Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Current:				
Tascorp borrowings	**2,792**	-	2,792	-
	2,792	-	2,792	-
Non-current:				
Tascorp borrowings	-	2,792	-	2,792
	-	2,792	-	2,792

16. Employee Benefits

	Consolidated		Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Current:				
Retirement benefits	**4,443**	3,720	**4,443**	3,720
Compensated benefits:				
Accrued salaries and wages	**337**	314	**337**	314
Annual leave	**1,536**	840	**1,536**	840
Long service leave	1,733	1,611	**1,733**	1,611
Workers compensation	129	129	**129**	129
	8,178	6,614	**8,178**	6,614
Non-current:				
Retirement benefits	**13,787**	12,579	**13,787**	12,579
Compensated benefits:				
Annual leave	-	392	-	392
Long service leave	**667**	508	**667**	508
	14,454	13,479	**14,454**	13,479
	22,632	20,093	**22,632**	20,093

(a) Reclassification of current employee benefits

Accrued salaries and wages have been reclassified from trade and other payables to current employee benefits. Comparative figures were reclassified for consistency, which resulted in $314,000 being reclassified from trade and other payables to current employee benefits. The Company is required to recognise the measurement and disclosure of amounts of elements of financial statements as if a prior period error had never occurred.

17. Contributed Equity

	Consolidated		Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Issued capital- two shares of $1 each				
Contributed equity	**15,503**	15,503	**15,503**	15,503
	15,503	15,503	**15,503**	15,503

18. Asset Revaluation Reserve

	Consolidated		Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Balance at beginning of financial year	**6,785**	4,292	**6,785**	4,292
Revaluation of land and buildings	-	2,777	-	2,777
Revaluation of bus fleet	**5,084**	-	**5,084**	-
Disposal of revalued buses	**(68)**	(59)	**(68)**	(59)
Deferred tax liability arising from revaluation	**(1,484)**	(215)	**(1,484)**	(215)
Write down of buses to recoverable amount	-	(10)	-	(10)
Balance at end of financial year	**10,317**	6,785	**10,317**	6,785

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets. Where a revalued asset is sold that portion of the asset revaluation reserve which relates to that asset is transferred to retained profits.

19. Retained Profits/ (Losses)

	Consolidated		Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Balance at beginning of financial year	**4,397**	3,140	**4,290**	3,033
Net profit / (loss)	**184**	(16)	**184**	(16)
Revaluation increments(decrements) attributable to assets disposed of during the year	**68**	59	**68**	59
Actuarial gains/ (losses)	**(1,363)**	1,824	**(1,363)**	1,824
Related income tax	**409**	(610)	**409**	(610)
Balance at end of financial year	**3,695**	4,397	**3,588**	4,290

20. Commitments For Expenditure

	Consolidated		Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Capital commitments:				
Payments within 1 year	**4,220**	1,539	**4,220**	1,539
Payments 1-5 years	**4,326**	-	**4,326**	-
	8,546	1,539	**8,546**	1,539

21. Related Parties

Directors:

The following were the Board of Directors of Metro during the reporting period and unless otherwise indicated were Directors for the entire period:

Mrs Sally Denny (Chairperson)

Mr Michael Wisby (Deputy Chairperson)

Mrs Ketrina Clarke

Mrs Janie Finlay

Mr Robert Flanagan

Remuneration of Directors:

Directors fees of $72,801 (2006 $63,210) and superannuation contributions of $9,908 (2006 $19,062) were paid during the reporting period.

There were no transactions with Directors or Director related entities during the financial year.

Key Management Personnel Compensation:

The aggregate compensation made to key management personnel of Metro is set out in the corresponding table:

	2007 $'000	2006 $'000
Short term employee benefits	**721**	593
Other long term employee benefits	**12**	85
Post-employment benefits	**77**	60
Termination benefits	**-**	-
Equity compensation benefits	**-**	-
	810	738

22. Remuneration Of Auditors

	2007 $'000	2006 $'000
Audit services:		
Tasmanian Audit Office	53	47
	53	47

23. Cash Flow Statement

	Consolidated		Company	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
(a) Reconciliation of net cash flow from operating activities to operating result				
Operating profit before income tax	**307**	30	**307**	30
Add (less) non cash items:				
Depreciation	**2,966**	3,067	**2,966**	3,067
Amortisation	**83**	64	**83**	64
Loss (profit) on sale of non-current assets	**(181)**	(58)	**(181)**	(58)
Adjustment to carrying value of assets	**300**		**300**	
Changes in assets and liabilities:				
(Increase) decrease in receivables	**(28)**	345	**(28)**	345
(Increase) decrease in inventories	**(28)**	8	**(28)**	8
(Increase) decrease in provision for obsolescence	**32**	8	**32**	8
(Increase) decrease in other current assets	**7**			7
Increase (decrease) in payables	**(566)**	250	**(566)**	250
Increase (decrease) in employee entitlements	**2,539***	(2,044)*	**2,539***	(2,044)*
Increase (decrease) in provision for redundancies	**-**	(243)	**-**	(243)
Increase (decrease) in provision for workers compensation	**-**	(41)	**-**	(41)
Increase (decrease) in GST control	**54**	(12)	**54**	(12)
Changes in equity:				
Amounts recognised in equity relating to the Defined Benefit Plan	**(1,363)***	1,824*	**(1,363)***	1,824*
Net cash inflow from operating activities	**4,122**	3,198	**4,122**	3,198

** Represents the total changes in employee entitlements including the portion recognised in equity. Comparative figures have been reclassified for consistency, which has resulted in a further decrease in employee entitlements from $220,000 to $2,044,000 and the amounts recognised in equity disclosed seperately.*

	Consolidated		Company	
(b) Reconciliation of cash	**2007 $'000**	**2006 $'000**	**2007 $'000**	**2006 $'000**
Cash at bank and on hand	**4,031**	2,400	**4,031**	2,400
Call deposit at Tascorp	**9,415**	8,846	**9,415**	8,846
Cash as per Statement of Cash Flows	**13,446**	11,246	**13,446**	11,246

24. Financial Instruments

(a) Risk management policies

Exposure to credit and interest risk arises in the normal course of Metro's business. It is not current Metro policy to utilise derivative instruments as a means of managing the exposure to the risks.

(b) Credit risk exposure

The credit risk on financial assets of Metro which have been recognised in the Balance Sheet is generally the carrying amount, net of any provision for loss.

(c) Interest rate risk exposure

Exposures to interest rate risk is limited to assets and liabilities bearing varaible interest rates. Metro intends to hold fixed rate financial assets and liabilities to maturity.
The following table details Metro's exposure to interest rate risk as at 30 June 2007.

2007

	Average effective interest rate	Floating interest rate	Less than 1 year fixed rate	1-2 years fixed rate	Non interest bearing	Total
Financial assets						
Cash at bank	5.22%	4,031	-	-	-	4,031
Call deposit at Tascorp	6.39%	-	-	9,415	-	9,415
Receivables	-	-	-		609	609
		4,031	-	9,415	609	14,055
Financial liabilities						
Borrowings	5.89%	-	2,792	-	-	2,792
Trade creditors and accruals	-	-	-	-	2,262	2,262
	-	-	2,792	-	2,262	5,054
Net financial assets/ liabilities	-	4,031	(2,792)	9,415	(1,653)	9,001

2006

	Average effective interest rate	Floating interest rate	Less than 1 year fixed rate	1-2 years fixed rate	Non interest bearing	Total
Financial assets						
Cash at bank	4.57%	2,400	-	-	-	2,400
Call deposit at Tascorp	5.89%	-	-	8,846	-	8,846
Receivables	-	-	-	-	635	635
		2,400	-	8,846	635	11,881
Financial liabilities						
Borrowings	5.89%	-	-	2,792	-	2,792
Trade creditors and accruals	-	-	-	-	2,504	2,504
	-	-	-	2,792	2,504	5,296
Net financial assets/ liabilities	-	2,400	-	6,054	(1,869)	6,585

The net fair values of the financial assets and financial liabilities are approximated by their carrying amounts.

25. Controlled Entity

	Country of incorporation	Equity interest
Parent entity:		
Metro Tasmania Pty Ltd	Australia	
Controlled entity:		
Metro Coaches (Tas) Pty Ltd	Australia	100%

26. Superannuation And Defined Benefit Plan

Employees have the choice to contribute to the Retirement Benefits Fund (RBF) or their own nominated fund. Employees may contribute to the funds at various percentages of their total salary cost.

The RBF provides both accumulation and defined benefit divisions. Eligibility to enter the defined benefit divisions ceased on 31 December 1999.

Plan information

The RBF is a defined benefit fund which pays lump sum and pension benefits to members upon retirement (most of which are calculated as a multiple of the member's final average salary). The RBF has Contributory members, Compulsory Preserved members and Pensioners.

Key assumptions

Key assumptions as at balance date and for following year expense	30 June 2007	30 June 2006
Discount rate:		
Gross of tax	6.00%	5.80%
Net of tax	5.90%	5.70%
Salary rate	4.50%	4.50%
Expected return on plan assets (net of tax)	7.00%	7.00%
Inflation (pensions):	2.50%	2.50%
Tax rate for Employer contributions	14.29% (1)	7.21%
Tax rate for discount rate	2.25%	2.25%
Decrement rates	As per the most recent actuarial investigation and report	As per the report "Valuation of Liabilities under the RBF as at 30 June 2006"

Note 1: This tax rate is based on the estimated balance of Pre-July 1988 Funding Credits balance as at 30 June 2007.

The expected return on plan assets (net of tax) has been based on the expected long term returns for each of the major asset class in which the Plan invests.

Plan assets

Asset disclosure	30 June 2007	30 June 2006
Australian equities	30%	38%
Overseas equities	25%	20%
Fixed Interest securities	20%	21%
Property	25%	21%

Balance sheet results as at 30 June 2007

Net Liability	30 June 2007 $	30 June 2006 $
Defined Benefit Obligation	21,966,818	20,792,773
Contributions tax liability	2,604,294	1,175,016
Total Defined Benefit Obligations	24,571,112	21,967,789
RBF Contributory scheme assets	(6,340,260) (1)	(5,668,500) (2)
Deficit/(Surplus)	18,230,853	16,299,289
Unrecognised Past Service Cost	-	-
Unrecognised net (gain)/loss	-	-
Net liability / (asset)	18,230,853	16,299,289
Current net liability	4,443,407	3,720,323
Non-current net liability	13,787,445	12,578,966

Note 1: Based on unaudited accounts as at 31 March 2007, rolled forward to 30 June 2007.

Note 2: Since issuing the 30 June 2006 report, audited accounts for the RBF Contributory scheme have become available. The net assets in the audited accounts were 2.6% higher than our estimated assets. This has not been adjusted for in previous year's figures.

Funded status

The funding status of Metro's share of the defined benefit schemes at the reporting date, based on actuarial valuations, is summarised as follows:

Defined benefit obligations	30 June 2007 $	30 June 2006 $
Funded (1)	6,328,677	5,947,582
Unfunded	18,242,435	16,020,207
Total	24,571,112	21,967,789

Note 1: The contributed tax liability has been included in the unfunded portion of the defined benefit obligation.

Movement in net liability

Movements in Net Liabilities	30 June 2007 $	30 June 2006 $
Net liability / (asset) in balance sheet at end of prior year	16,299,289	18,316,960
Expense recognised in income statement	1,384,953	1,303,763
Amounts recognised in statement of recognised income and expense	1,363,168	(1,823,526)
Actual employer contributions	(816,558)	(1,497,909)
Increase in liabilities due to foreign currency exchange	-	-
Increase in liabilities due to business combinations	-	-
Net liability / (asset) in balance sheet at end of year	18,230,853	16,299,289

Profit and Loss results for year ending 30 June 2007

Expense:	30 June 2007 $	30 June 2006 $
Employer Service Cost	581,589	576,686
Contribution tax expense	40,976	(15,254)
Total Employer Service Cost	622,564	561,432
Interest Cost	1,150,348	1,098,691
Expected return on Plan assets	(387,959)	(356,360)
Recognised actuarial (gains) / losses	-	-
Recognised past service cost	-	-
Curtailment / settlement (gain) / loss	-	-
Expense recognised:	1,384,953	1,303,763

Statement of recognised income and expense

Amounts recognised in statement of recognised income and expense	30 June 2007 $	30 June 2006 $
Cumulative amount of Actuarial (gains) / losses at end of prior year	293,715	2,177,241
Actuarial (gains) / losses recognised during year ending	1,363,168	(1,823,526)
Cumulative amount of Actuarial (gains) / losses at end of year	1,656,883	293,715

Reconciliations

Fair value of Plan assets:		30 June 2007 $	30 June 2006 $
Fair value Plan assets at end of prior year	1	5,668,500	5,320,828
Estimated employer contributions	2	816,558	1,497,909
Estimated contributions tax paid	3	-	-
Estimated participant contributions	4	210,271	233,173
Estimated operating costs	5	56,824	51,165
Estimated benefit payments	6	1,222,462	2,139,870
Foreign currency exchange rate assets	7	-	-
Business combination assets	8	-	-
Curtailments / settlement assets	9	-	-
Expected Return on Assets	10	387,959	356,360
Expected Assets at year end	11= 1+2-3+4-5-6+7+8+9+10	5,804,002	5,217,235
Actuarial gain / (loss) on assets	12=13-11	536,258	451,265
Fair value Plan assets at year end	13	6,340,260 (1)	5,668,500 (2)
Estimated Actual return on plan (3)		957,691	674,322

Note 1: Based on unaudited accounts as at 31 March 2007, rolled forward to 30 June 2007.

Note 2: Since issuing the 30 June 2006 report, audited accounts for the RBF Contributory scheme have become available. The net assets in the audited accounts were 2.6% higher than our estimated assets. This has not been adjusted for in previous year's figures.

Note 3: Fair value of Plan assets can not be reconciled using estimated figures shown in the table above, as a number of items such as net assets, operating costs and investment returns can only be estimated using the proportion of funded liabilities for each authority compared to that of the RBF Contributory Scheme as a whole.

Defined Benefit Obligations inclusive of contributions tax for disclosure purposes

Total Defined Benefit Obligations (net discount rate) (1)		30 June 2007 $	30 June 2006 $
Total Defined Benefit Obligations at end of prior year	14a	21,967,789	23,637,788
Employer Service Cost plus operating costs	15a	622,564	561,432
Interest cost	16	1,150,348	1,098,691
Actual Participant contributions	17	210,271	233,173
Actual operating costs (admin + insurance)	18	56,824	51,165
Actual Benefit payment plus Contributions Tax	19a	1,222,462	2,139,870
Foreign currency exchange rate liabilities	20	-	-
Business combinations liabilities	21	-	-
Curtailments / settlement liabilities	22	-	-
New past service costs	23	-	-
Expected Defined Benefit Obligations at Year End	24a=14a+15a+16+17-18-19a +20+21+22+23	22,671,687	23,340,049
Actuarial (gain) / loss on liabilities	25a	1,899,426	(1,372,261)
Actual Total Defined Benefit Obligations at year end	26a=24a+25a	24,571,112	21,967,789

Note 1: These figures include contributions tax

Defined Benefit Obligations exclusive of contributions tax for reconciliation purposes

Defined Benefit Obligations (net discount rate) (1)		30 June 2007 $	30 June 2006 $
Defined Benefit Obligations at end of prior year	14	20,792,773	22,198,617
Employer Service Cost plus operating costs	15	581,589	576,686
Interest cost	16	1,150,348	1,098,691
Actual Participant contributions	17	210,271	233,173
Actual operating costs (admin + insurance)	18	56,824	51,165
Actual Benefit payments	19	1,222,462	2,139,870
Foreign currency exchange rate liabilities	20	-	-
Business combinations liabilities	21	-	-
Curtailments / settlement liabilities	22	-	-
New past service costs	23	-	-
Expected Defined Benefit Obligations at Year End	24=14+15+16+17-18-19+ 20+21+22+23	21,455,695	21,916,132
Actuarial (gain) / loss on liabilities	25	511,123	(1,123,359)
Actual Defined Benefit Obligations at year end	26=24+25	21,966,818	20,792,773

Note 1: These figures do not include contributions tax

Contributions Tax		30 June 2007 $	30 June 2006 $
Defined Benefit Obligations at end of prior year	27	20,792,773	22,198,617
Fair value Plan assets at end of prior year	28	5,668,500 (1)	5,320,828 (2)
Net Obligation	29=27-28	15,124,273	16,877,789
Contributions Tax at end of prior year	30	1,175,016	1,439,171
Contributions tax expense	31=32-30+3	40,976	(15,254)
Actual Contributions tax paid	3	-	-
Expected Contributions Tax at year end (3)	32=(24-11) / (1-t(0)) times t(0)	1,215,991	1,423,917
Actuarial (gain) / loss on contributions tax	33=34-32	1,388,303	(248,901)
Actual Contributions Tax at year end (3)	34=(26-13) / 1-t(1)) times t(1)	2,604,294	1,175,016

Note 1: *Based on unaudited accounts as at 31 March 2007, rolled forward to 30 June 2007.*

Note 2: *Since issuing the 30 June 2006 report, audited accounts for the RBF Contributory scheme have become available. The net assets in the audited accounts were 2.6% higher than our estimated assets. This has not been adjusted for in previous year's figures.*

Note 3: *t(0) is the tax rate for employer contributions as at 30 June 2006 or 7.21%, t(1) is the tax rate for employer contributions as at 30 June 2007 or 14.29%*

Reconciliation of Actuarial (gain) / loss:		30 June 2007 $	30 June 2006 $
Unrecognised actuarial (gain) / loss at end of prior year	35	-	-
Actuarial (gain) / loss on assets	12(a)=12	(536,258)	(451,265)
Actuarial (gain) / loss on liabilities	25	511,123	(1,123,359)
Actuarial (gain) / loss on Contributions Tax	33	1,388,303	(248,901)
Amounts recognised in statement of recognised income and expense	36	1,363,168	(1,823,526)
Immediate recognition gains/losses related to curtailment / settlement	37	-	-
Unrecognised actuarial (gain) / loss at end of year	38=35+12(a)+25+33-36-37	-	-

Note 1: *Based on unaudited accounts as at 31 March 2007, rolled forward to 30 June 2007.*

Note 2: *Since issuing the 30 June 2006 report, audited accounts for the RBF Contributory scheme have become available. The net assets in the audited accounts were 2.6% higher than our estimated assets. This has not been adjusted for in previous year's figures.*

Note 3: *t(0) is the tax rate for employer contributions as at 30 June 2006 or 7.21%, t(1) is the tax rate for employer contributions as at 30 June 2007 or 14.29%*

Interest Cost:		30 June 2007 $	30 June 2006 $
Defined Benefit Obligations at end of prior year (net discount rate)	14	20,792,773	22,198,617
Actual Benefit payments	abp	1,222,462	2,139,870
Weighted for timing	51=abp / 2	611,231	1,069,935
Average benefit obligations	52=14-51	20,181,542	21,128,682
Discount rate	d	5.7%	5.2%
Calculated interest cost	53=d times 52	1,150,348	1,098,691
Interest cost used in calculation		1,150,348	1,098,691

Expected Return on Assets:		30 June 2007 $	30 June 2006 $
Fair value Plan assets at end of prior year	1	5,668,500 (1)	5,320,828 (2)
Actual Employer contributions	2	816,558	1,497,909
Weighted for timing	54=2 / 2	408,279	748,955
Actual Contributions tax paid	3	-	-
Weighted for timing	55= 3 / 2	-	-
Actual Participant contributions	4	210,271	233,173
Weighted for timing	56 =4 / 2	105,136	116,586
Actual operating costs (admin + insurance)	5	56,824	51,165
Weighted for timing	57= 5 / 2	28,412	25,583
Actual Benefit Payments	6	1,222,462	2,139,870
Weighted for timing	58= 6 / 2	611,231	1,069,935
Average expected assets	59= 1+54+55+56-57-58	5,542,272	5,090,852
Assumed Rate of Return	r	7.00%	7.00%
Calculated Expected Return on Assets	60=r times 59	387,959	356,360
Expected Return on Assets Used in Calculation		387,959	356,360

Note 1: Based on unaudited accounts as at 31 March 2007, rolled forward to 30 June 2007.

Note 2: Since issuing the 30 June 2006 report, audited accounts for the RBF Contributory scheme have become available. The net assets in the audited accounts were 2.6% higher than our estimated assets. This has not been adjusted for in previous year's figures.

Net liability / (asset) at year end		30 June 2007 $	30 June 2006 $
Actual Defined Benefit Obligations at year end	26	21,966,818	20,792,773
Actual Contributions Tax at year end	34	2,604,294	1,175,016
Total Defined Benefit Obligation at year end	61=26+34	24,571,112	21,967,789
Actual Assets at year end	13(a)=(13)	(6,340,260) (1)	(5,668,500) (2)
Deficit / (Surplus)	62=61+13(a)	18,230,853	16,299,289
Unrecognised past service cost	50	-	-
Unrecognised net (gain) / loss	b	-	-
Net liability / (asset)	63=62-50-b	18,230,853	16,299,289

Note 1: Using unaudited accounts as at 31 March 2007, rolled forward to 30 June 2007, and audited accounts as at 30 June 2006

Note 2: Since issuing the 30 June 2006 report, audited accounts for the RBF Contributory scheme have become available. The net assets in the audited accounts were 2.6% higher than our estimated assets. This has not been adjusted for in previous year's figures.

Actuarial gain / (loss) for year		30 June 2007 $	30 June 2006 $
Defined benefit obligations (net of tax, prior year assumptions)	64	21,343,574	22,097,211
Contributions tax (prior year assumptions)	65=(64-13)/(t-t0)*t0	1,165,618	1,400,878
Defined benefit obligations (net of tax, current assumptions)	26	21,966,818	20,792,773
Actual contributions tax at year end	34	2,604,294	1,175,016
Actuarial (gain)/loss for year due to assumptions	66=26+34-(64+65)	2,061,920	(1,530,301)
Actuarial (gain)/loss for year due to experience	67=25+33-66	(162,494)	158,040
Actuarial (gain)/loss on assets	12(a)	(536,258)	(451,265)
Actuarial (gain)/loss for year	68=66+67+12(a)	1,363,168	(1,823,526)

History

The amounts for the current annual reporting period and the previous two reporting periods, as required under paragraph 120(p) of AASB 119 are shown below.

	30 June 2007 $	30 June 2006 $	30 June 2005 $	30 June 2004 $
Total Defined Benefit Obligation at year end	24,571,112	21,967,789	23,637,788	20,316,050
Actual Assets at year end	(6,340,260) (1)	(5,668,500) (2)	(5,320,828)	(4,853,741)
Deficit / (Surplus)	18,230,853	16,299,289	18,316,960	15,462,310
Experience Adjustment on Liabilities	(162,494)	158,040	(328,030)	-
Experience Adjustment on assets	(536,258)	(451,265)	(167,800)	-

Note 1: Based on unaudited accounts as at 31 March 2007, rolled forward to 30 June 2007.

Note 2: Since issuing the 30 June 2006 report, audited accounts for the RBF Contributory scheme have become available. The net assets in the audited accounts were 2.6% higher than our estimated assets. This has not been adjusted for in previous year's figures.

Funding and contribution information

Metro meets the cost of benefits as they emerge by paying a percentage of the benefit as it falls due, as defined in the *Retirement Benefits Regulations 2005*.

The present value of the total accrued benefits for the Contributory Scheme as a whole (both funded and unfunded components) for the purpose of AAS 25, Financial Reporting by Superannuation Funds, was calculated to be $3, 892.933 million.

Liabilities for Accrued Benefits	**30 June 2005 $'000**
Liabilities for the Scheme as a whole	3, 892,933
Net market value of Scheme assets	1,255,312
Surplus/(deficit)	2,637,621

The economic assumptions used to calculate these figures were:

Assumptions	**Rate % p.a.**
Discount rate	7.0
Salary inflation (inclusive of promotional increases)	4.5
Rate of Compulsory Preserved benefit increases (AWOTE)	4.0
Rate of pension increases (CPI)	2.5

The present value of the total accrued benefits for the Contributory Scheme as a whole (both funded and unfunded components) for the purpose of AAS 25 will be updated when the next actuarial funding report is completed as at 30 June 2007.

Appendix : Recognition of Staff Achievements

During the year ending 30 June 2007 a number of Metro staff successfully completed Certificate III in Transport and Distribution (Road Transport).

Congratulations are extended to all who completed this level of qualification:

Martin Attwood	Michael Ford	Belinda Donald
Siegfried Plischke	Shane Beck	Russell Lockett
Renea Duncombe	Susan Smith	Amanda Calow
Toby Muscovic	Michelle Fletcher	Debra Williamson
Donna Cannell	Cheryl Parker	

Metro manages an ongoing training program and enrolled forty-four new employees to commence Certificate III in Transport and Distribution (Road Transport) during the year.

Refresher training for all bus operators has taken place over the year; subjects covered were:

- Back in the Bus (posture and seating)
- Dealing with Critical Incidents
- Hot or Not (dealing with suspicious)
- Dealing with Conflict/Difficult Passengers.

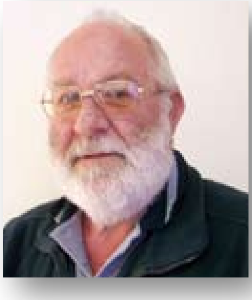
Metro operates a "compliment of the month" scheme to recognise employees that deliver exceptional customer service. "Compliment of the month" recipients are selected from public commendations asking for that driver to be thanked or recognised for some act of exceptional service delivery in the eyes of that member of the public. In some months no award is issued if there is no suitable nominations from the public. In listing recipients of the "compliment of the month" award Metro wishes to acknowledge that many of its staff exhibit very high levels of customer service as part of their normal working days, but a member of the community may not take the trouble to approach Metro to nominate them for exceptional service.

The following Metro employees received "compliment of the month" awards in 2006/07:

Lyn Frazer (photo unavailable)

Steven Bone

Geoff Beer



Anthony Wolfe

Providing safe, reliable and quality road passenger transport services that balance stakeholder needs and sound commercial practices.

06/07

Annual Report

Metro Tasmania Pty Ltd